

The Case for a National Market for Health Insurance

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I am honored to testify today in these hearings on “The Health Care Choice Act” before the Committee on Energy and Commerce’s Subcommittee on Health. My name is David Gratzner. I am a physician and a senior fellow at the Manhattan Institute in New York. I’m speaking today in support of Congressman Shadegg’s efforts. The views I present are my own and do not necessarily represent those of the Manhattan Institute.

As you may know, insurance premiums vary greatly from state to state. eHealthInsurance, a leading online insurance brokerage, recently compared the cost of a standard family insurance policy (\$2,000 deductible with a 20% co-insurance) across the nation’s 50 largest cities, involving some 4,000 insurance plans and 140 insurance companies. The results are startling. Consider: a non-employer-based family policy for four in Kansas City, Mo., costs about \$170 per month while similar coverage in Boston tops more than \$750 a month. (Please see the accompanying table, which further illustrates the range.)

Why the price difference? Many states dictate the type of services and providers. New York, for instance, requires that the services of a podiatrist be covered. It’s a commonly quoted statistic that the average person walks about 150,000 miles in a lifetime. Let’s hope the majority of this journey is on healthy, bunion-free feet. But should every insurance policy in the Empire State really be required to include podiatric services? Acupuncturists are mandated in 11 states, massage therapists in 4, osteopaths in 24, and chiropractors in 47, driving up the price of even the most basic insurance plans.

Some states have gone further. Laws force insurers to sell to any applicant (guaranteed issue) and at the same price, regardless of age or health (community rating).

Faced with higher premiums for insurance they seldom use, the young and healthy drop their coverage, leaving an insurance pool of older, sicker people – and even higher premiums. After a decade of such political meddling, the average monthly cost of a family policy in New Jersey bests the monthly lease of a Ferrari. In such an environment, many insurance carriers choose not to do business; in Vermont, for example, just three companies sell to the individual market.

The consequences:

- **Higher premiums.** The regulatory burden means, in effect, a massive health tax for citizens in dozens of states. This hidden tax unfairly discriminates against the self-employed, as well as small and mid-sized companies. Large corporations, after all, aren't forced to follow state mandates (many self-insure); some spend two-thirds less than the national average on health coverage per employee by using no-frills plans.
- **More uninsured.** It makes sense that the higher the premium, the more people will opt out of buying insurance. The CBO estimates that every 1% increase in insurance cost results in 200,000 to 300,000 more uninsured.
- **Reduced labor mobility.** In a recent study, University of Wisconsin economist Scott Adams demonstrates that 20% to 30% of non-elderly men choose to stay put at jobs with health benefits. No wonder: Since potential employers may not offer insurance and individual policies are so pricey (especially in cities like New York and Boston), labor mobility suffers, as does American entrepreneurship.

A remedy? Allow out-of-state purchases of health insurance, as the Health Care Choice Act proposes. The federal McCarran-Ferguson Act of 1945 empowers states to regulate “the business of insurance.” Nothing prevents Congress, however, from

allowing interstate sales. The foundation of such a bill would be the Constitution's Commerce Clause. Individuals would then be able to shop around and find a low-cost policy – an affirmation of free-market principles since interstate restrictions now leave many Americans at the mercy of a small number of local health insurance carriers.

Allowing a competitive market for health insurance won't be a major budgetary expense – but it may prove priceless to the cause of advancing market reforms to better American health care.

Let's be clear: the Health Care Choice Act will not single-handedly correct the problems of American medicine. It does, however, represent a step in the right direction.

Monthly Premiums for Family Health Insurance

Kansas City, MO	171.86
Long Beach, CA	180.00
Tuscon, AZ	184.88
Philadelphia, PA	265.80
Chicago, IL	359.01
Seattle, WA	410.00
Minneapolis, MN	529.00
New York, NY	712.77
Boston, MA	767.30

Source: eHealthInsurance